YouTube

Company Purpose:

To become the primary outlet of user-generated video content on the Internet, and to allow anyone to upload, share, and browse this content.

Problem:

Video content is currently difficult to share:

- Video files are too large to e-mail (E-mails with video attachments bounce).
- Video files are too large to host (viewing just fifty videos at 20 MB each means serving 1 GB of bandwidth – exceeding most website quotas).
- No standardization of video file formats. To view many video file formats means having to install many different video players and video codecs.
- Videos exist as isolated files. There is no interaction between viewers. There is no interrelation between videos.

Solution:

Consumers upload their videos to YouTube. YouTube takes care of serving the content to millions of viewers.

YouTube's video encoding backend converts uploaded videos to Flash Video, which works in any web browser supporting Flash. (Flash penetration is 97.6% of Web users according to Macromedia.com.) Flash Video is a highly compressed streaming format that begins to play instantly. Unlike other delivery methods, it does not require the viewer to download the entire video file before viewing.

YouTube provides a community that connects users to videos, users to users, and videos to videos. Through these integrating features, videos receive more views, and users spend more time on YouTube. Because these features are similar to Flickr, YouTube is often referred to as "the Flickr of Video".

Market Size:

YouTube's growth will come as a result of these recent developments:

- Digital video recording technology is for the first time cheap enough to mass-produce and integrate into existing consumer products, such as digital photo cameras and cell phones, giving anyone the ability to create video content anytime, anywhere. As a result, user-generated video content will explode.

- Broadband Internet in the home has finally reached critical mass, making the Internet a viable alternative delivery mechanism for videos. Viewers are flocking to the Internet because it offers more variety of content and allows people to choose when and how to see it. Traditional media want to enter this space because they want to follow the audience, and because content there is cheaper and easier to distribute. Early examples of video content that has reached more viewers on the Internet than on television: Indian Ocean Tsunami videos, Jon Stewart's Crossfire appearance, Janet Jackson's Superbowl wardrobe malfunction.

Initially, YouTube will target home-grown (user-generated) video content, because in the short term that represent the fastest-growing type of video content, possessing the fastest-growing audience. This phase will enable YouTube to establish itself as the dominant player for Internet video content. Once YouTube's audience reach rivals that of traditional media networks, it will then be positioned to syndicate traditional media content (news, entertainment, MTV, etc) as well.

Competition:

Big players:
- Google Video – going after Hollywood, not personal videos
- 24 hour laundry – going after pure video hosting technology, not community

Small players:
- dailymotion – good technology, no exposure
- vimeo – bad technology, has potential for exposure (owned by CollegeHumor)
- PutFile – focuses on file hosting, lacks community, bad revenue model

Product Development:

Demo basic functionality.

- Community
    - Connects users to videos. Users find videos through:
        - Search
        - Related videos
        - Related tags
        - Top rated, top viewed, most discussed
        - User videos,
        - User favorites

    - Connects users to users:
        - Video discussion groups
        - Video comments
        - Private messages
        - Private/public video sharing

        - Social networking (Friends)
        - User videos
        - User favorites

    - Connects videos to videos:
        - Related videos
        - Related tags

- Open architecture
    - Developer XML APIs
    - RSS feeds
    - Externally embeddable video player ("YouTube off YouTube.com"). By letting people embed YouTube videos right into their own web sites, YouTube's audience reaches even beyond YouTube.com

- Target vertical markets with a need for video content:
    - Auction videos for eBay items (perfect for eBay Motors)
    - Real estate videos for houses/apartments for sale/rent ("Do-It-Yourself MTV Cribs")
    - Become the video platform for special interest websites: Car sites, Sports, Politics, etc

- Features currently in development:
    - Community features: groups, sharing, better ways to find videos
    - Driving external reach: external player, developer APIs

Sales & Distribution:

Revenue-generating options:

- Ads:
    - "Google Adwords" approach for YouTube: Allow advertisers to upload ad videos to YouTube. Thumbnails of these ad videos will be shown alongside other videos in video search results, and as "related videos". As with Google Adwords, ad videos will only be shown when relevant, and will be clearly marked as ad videos.
    - Display interactive ads within the Flash video player, superimposed over the playing video.
    - Play a short video ad at the beginning of the actual video.
    - Display an ad image at the beginning of the actual video.

- Act as a for-pay distribution channel for promotional videos:
    - Events, conferences, concerts

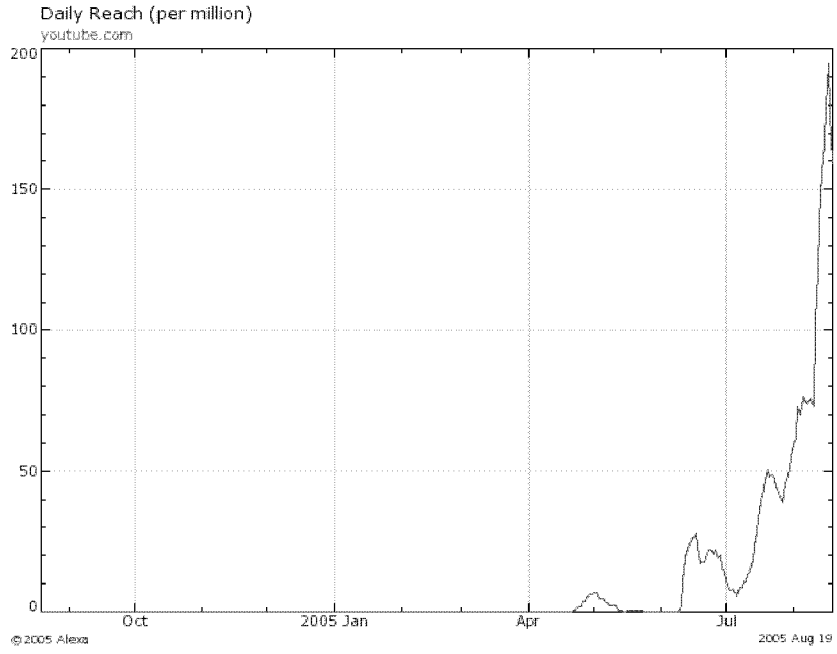
- Charge members for premium features:
    - Ability to download original videos / view high resolution videos

    - Video editing features (within the browser, using Flash): video effects, transitions, titles, etc
    - Advanced features for the externally embeddable video player
        - Offer specialized features for embedded auction/real estate videos (see **Product Development**)

- Charge viewers for premium content:
    - Allow members to sell their video content to YouTube viewers, with YouTube taking a cut of the proceeds.

Metrics:

Launched June 11th. Has already overtaken all previously existing competitors and is now the dominant player in this space.



Team:

Founders:

- Steve Chen:
    - Recruited by Max Levchin as one of PayPal's first engineers
    - University of Illinois, Computer Science

- Chad Hurley:
    - PayPal's first designer, responsible for PayPal site design, logo

- Jawed Karim:
    - Graduate student in Computer Science, Stanford University

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